

Message Text

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PAGE 01 EC BRU 01129 01 OF 02 072103Z

70

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 01129

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TAGS: ETRD, EAID, EEC, ACP

SUBJECT: EC/ACP NEGOTIATIONS--WRAP UP

REF: (A) EC BRUSSELS 952 AND PREVIOUS; (B) EC BRUSSELS 180

1. SUMMARY: AFTER MORE THAN 18 MONTHS OF NEGOTIATIONS THE EC AND THE AFRICAN, CARIBBEAN AND PACIFIC (ACPS) GROUP HAVE CONCLUDED FINAL TEXTS FOR THEIR NEW FIVE YEAR AGREEMENT TO BE CALLED THE CONVENTION OF LOME. THE ACCORD PROVIDES A COMPREHENSIVE AID, TRADE AND INDUSTRIAL COOPERATION PACKAGE BETWEEN RESOURCE-SHORT EUROPE AND 46 DEVELOPING COUNTRIES AND REPLACES THE TRADITIONAL YAOUNDE, ARUSHA AND COMMONWEALTH LINKS. THIS MESSAGE PROVIDES ADDITIONAL INFORMATION SUPPLEMENTING OUR PRELIMINARY REPORT (REF. A). MISSION ANALYSIS OF THE NEW ACCORD FOLLOWS SEPTEL. TEXTS WILL BE POUCHED ASAP. END SUMMARY.

2. TRADE REGIME: THE NEW EC/ACP CONVENTION WILL NOT OBLIGE ACPS TO GRANT REVERSE PREFERENCES IN RETURN FOR FREE ACCESS TO THE EC MARKET. THE ACPS ARE ONLY REQUIRED TO GRANT THE EC TRADE

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PAGE 02 EC BRU 01129 01 OF 02 072103Z

TREATMENT "NO LESS FAVORABLE THAN MFN" AND NOT TO DISCRIMINATE

BETWEEN MEMBER STATES. AN ACP IS THUS FREE TO GIVE REVERSE PREFERENCES IF IT DESIRES (I.E. SENEGAL, PERHAPS). THE TRADE CHAPTER WILL CONTAIN NO REFERENCES TO THE GATT. MFN WILL APPLY BOTH TO EXPORTS AS WELL AS IMPORTS. ACP DEROGATIONS FROM MFN ARE ALLOWED FOR TRADE WITH OTHER DEVELOPING COUNTRIES WITHOUT PRIOR CONSULTATION. FOR RULES OF ORIGIN, THE BASIC EC/EFTA SYSTEM APPLIES WITH EXCEPTIONS, AND DEROGATIONS ARE PERMITTED FOR SPECIFIC, TEMPORARY CASES SUCH AS INFANT INDUSTRY. NORMAL "LOCAL ORIGIN" ELIGIBILITY WILL BE DECIDED BASED ON A SHIFT OF TARIFF HEADING. VALUE-ADDED CRITERIA (50 PERCENT LOCAL ORIGIN) WILL APPLY IN CASES WHICH FALL UNDER AN EXCEPTIONS LIST. RULES OF ORIGIN ARE CUMULATIVE, ALL ACPs BEING CONSIDERED AS ONE. REGIONAL GROUPINGS, INCLUDING THOSE WHICH CONTAIN NON-ACPs, ARE ALSO ELIGIBLE. MISCELLANEOUS PROVISIONS COVER FISHING RIGHTS, MUTUAL CONSULTATION PROCEDURES AND A SAFEGUARD CLAUSE.

3. AGRICULTURAL PRODUCTS: EC AGRICULTURAL PRODUCT CONCESSIONS PROVIDE THAT 96 PERCENT OF ACP EXPORTS WILL ENTER THE COMMUNITY DUTY FREE, AND THE REMAINDER (SOME CAP PRODUCTS) WILL ENJOY PREFERENTIAL ACCESS OVER THIRD COUNTRIES. THE FINAL EC CONCESSIONS ON THESE "CONTROVERSIAL" CAP PRODUCTS ARE AS FOLLOWS: CORN: REDUCTION OF THE IMPORT LEVY BY 1.5 UA PER TON; ARROWROOT FLOUR: EXEMPTION FROM FIXED ELEMENT OF THE IMPORT LEVY, REDUCTION OF THE VARIABLE ELEMENT BY 3 UA PER TON; PADDY RICE: REDUCTION OF 50 PERCENT IN THE LEVY PLUS AN ADDITIONAL 3 UA REDUCTION PER TON; BROWN RICE: SAME; MILLED RICE: REDUCTION OF 50 PERCENT IN THE LEVY PLUS A FURTHER REDUCTION OF 4.5 UA PER TON; SEMI-MILLED RICE: SAME; BROKEN RICE: REDUCTION OF 50 PERCENT IN THE LEVY PLUS AN ADDITIONAL 2.5 UA REDUCTION PER TON; BEEF: EACH ACP (I.E. LESOTHO, BOTSWANA, SWAZILAND AND KENYA) MAY EXPORT A QUANTITY EQUAL TO ITS BEST EXPORTS IN THE PERIOD 1969 TO 1974. EVEN PERCENT ANNUAL GROWTH IS PROVIDED AND THE FULL QUOTA WILL BE ALLOWED IN 1975 ALTHOUGH THE CONCESSION DOES NOT ENTER FORCE UNTIL SIGNATURE OF THE CONVENTION FEBRUARY 28. FOR CUT FLOWERS THE EC AGREED TO A DECLARATION OF INTENT WHICH PROVIDES FOR DUTY-FREE ENTRY OF CUT FLOWERS AND ORNAMENTAL FOLIAGE, ONCE A COMMON IMPORT REGIME IN THE EC IS ESTABLISHED. BANANAS ARE SUBJECT OF A SPECIAL PROTOCOL WHICH PROVIDES FOR PRESERVATION OF TRADITIONAL MARKETS LIMITED OFFICIAL USE

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PAGE 03 EC BRU 01129 01 OF 02 072103Z

AND DEVELOPMENT OF NEW ONES. PROVISION IS MADE FOR INCREASES IN RUM SHIPMENT FROM THE CARIBBEAN DESPITE THE FRENCH INTEREST IN PROMOTING MARTINIQUE'S PRODUCT.

4. SUGAR: SEE SEPTTEL.

5. EUROPEAN DEVELOPMENT FUND (EDF): IT WILL BE RECALLED THAT THE ISSUE OF THE OVERALL SIZE OF THE FOURTH EDF HAD PURPOSELY

BEEN LEFT TO THE VERY END OF THE NEGOTIATIONS. THE RESULT WAS
ANTICLIMATIC-- THE ACP SIDE ACCEPTED
THE OFFER OF THE COMMUNITY FAIRLY CALMLY. IN ADDITION TO THE
DIMENSIONS OF THE AID PACKAGE (2.1 MILLION UA IN GRANTS, 430
MILLION UA IN SPECIAL LOANS, 95 MILLION UA IN RISK CAPITAL
AN 375 MILLION UA FOR THE STABEX SCHEME--PLUS 390 .8))89, 7-
8, 38B LOANS) THE NEW FINANCIAL AND TECHNICAL ASSISTANCE SHAPTER
WILL PROVIDE FOR A MUCH MORE ACTIVE ROLE FOR THE ACPS IN
DETERMINING THE SCOPE AND PROGRAMMING OF THE EDF AID. COMMITMENTS
WILL BE VALID FROM THE DATE OF SIGNATURE (FEBRUARY 28)
OF THE CONVENTION NOT OF RATIFICATION. A LAST MINUTE COMPROMISE
WILL MEAN THAT THE FLOW OF FUNDS WILL ACTUALLY BE SPREAD OVER
ONLY FOUR YEARS, NOT THE FIVE ORIGINALLY PLANNED, MEANING, IN
EFFECT, A 20 PERCENT BOOST IN THE ANNUAL AMOUNT OF AID GOING TO
THE ACPS FROM THE FOURTH EDF. MEMBER STATES' SHARE OF THE FOURTH
EDF WILL BE IN THE FOLLOWING PROPORTIONS: FRANCE AND THE FRG,
25.95 PERCENT EACH; UK, 18.7 PERCENT; ITALY, 12 PERCENT;
THE NETHERLANDS, 7.95 PERCENT; BELGIUM, 6.25 PERCENT; DENMARK, 2.4
PERCENT; IRELAND, 0.6 PERCENT AND LUXEMBOURG 0.2 PERCENT.
THE UNIT OF ACCOUNT (U.A.) TO BE USED BY THE EDF FOR ACCOUNTING
PURPOSES WILL BE BASED ON THE SDR.

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PAGE 01 EC BRU 01129 02 OF 02 072115Z

70

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R 071913Z FEB 75

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TO SECSTATE WASHDC 8254

INFO ALL EC CAPITALS 325

LIMITED OFFICIAL USE SECTION 2 OF 2 EC BRUSSELS 01129

6. STABILIZATION OF EXPORT EARNINGS (STABEX): THE EC'S SCHEME TO HELP STABILIZE THE COMMODITY-BASED EXPORT EARNINGS OF APPROXIMATELY 34 ACP COUNTRIES IS CONSIDERED THE MOST INNOVATIONARY ELEMENT IN THE NEW ACCORD (SEE REF. A AND PREVIOUS FOR BACKGROUND). THE EC HAS COMMITTED ITSELF TO PROVIDE A (REPAYABLE) FINANCIAL TRANSFER EQUAL TO THE DECLINE IN AN ACP'S EC-RELATED EXPORT EARNINGS, ON A PR-PRODUCT BASIS, FOR 12 PRODUCTS AND THE SEMI-PROCESSED VERSIONS THEREOF. THE FINAL LIST OF PRODUCTS CONSISTS OF: PEANUTS, COCOA, COFFEE, COTTON, COPRA, PALM OIL, HIDES AND SKINS, WOOL PRODUCTS, BANANAS, TEA, RAW SISAL, AND ONE MINERAL, IRON ORE. IRON ORE WAS A LAST MINUTE CONCESSION BY THE EC. IT WAS MADE CLEAR DURING THE FINAL NEGOTIATIONS (BUT WE DON'T YET KNOW WHETHER IT'S STATED IN THE TEXT) THAT IRON ORE SHOULD NOT CONSTITUTE A PRECEDENT FOR OTHER MINERALS. THE LIST OF PRODUCTS CAN BE REVIEWED AFTER ONE YEAR. THE DEPENDENCY THRESHOLDS FOR ELIGIBILITY UNDER THE STABEX FORMULA HAVE BEEN CONFIRMED AT 7.5 PERCENT OF AN ACP'S EXPORT EARNINGS (2.5 PERCENT FOR THE LEAST DEVELOPED 24 COUNTRIES ON THE EDF'S LIST). THE FLUCTUATION THRESHOLDS ARE ALSO SET AT 7.5 PERCENT AND 2.5 PERCENT RESPECTIVELY. TRANSFERS WILL COME FROM AN EC FUND SET AT LIMITED OFFICIAL USE

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PAGE 02 EC BRU 01129 02 OF 02 072115Z

375 MILLION UA OVER THE 5 YEARS OF THE CONVENTION. TRANSFERS ARE REIMBURSABLE (EXCEPT FOR THE LEAST DEVELOPED 24). TRANSFERS ARE NOT AUTOMATIC--AN ACP MUST MAKE A REQUEST TO THE COMMISSION. SIMILARLY THE COMMISSION MAKES THE FINAL DECISION ON REIMBURSEMENT. THE RECIPIENT ACP DECIDES HOW THE FINANCIAL TRANSFER WILL BE USED AND INFORMS THE COMMISSION ANNUALLY.

7. INDUSTRIAL COOPERATION: THIS CHAPTER PROVIDES FOR A RANGE OF MEASURES TO BE IMPLEMENTED TO ENCOURAGE INDUSTRIAL DEVELOPMENT IN THE ACPs INCLUDING INDUSTRIAL INFRASTRUCTURE, MAN-POWER TRAINING, THE TRANSFER OF TECHNOLOGY AND INDUSTRIAL INFORMATION AND PROMOTION ACTIVITIES TO ENCOURAGE CONTACTS BETWEEN EC FIRMS AND THE ACPs. TWO NEW INSTRUMENTS ARE CREATED. A "COMMITTEE OF INDUSTRIAL COOPERATION", A SUBGROUP OF THE COMMITTEE OF AMBASSADORS, WILL GIVE OVERALL DIRECTION TO THE ACTIVITIES UNDER THIS CHAPTER. A JOINTLY MANAGED CENTER FOR INDUSTRIAL DEVELOPMENT WILL BE ESTABLISHED IN BRUSSELS FOR PURPOSES OF EC/ACP INDUSTRIAL PROMOTION, INFORMATION, AND CONTACTS. THIS VENTURE WILL BE FINANCED THROUGH EDF FUNDS AS A SPECIFIC PROGRAM. IN ADDITION THE EDF ITSELF (SEE ABOVE) PROVIDES 95 MILLION UA OF RISK CAPITAL WHICH COMMISSION CONTACTS TELL US WILL ALLOW VERY FLEXIBLE INDUSTRIAL COOPERATION SCHEMES UNDER THE EC/ACP AGREEMENT. THE MAIN THRUST FROM THE COMMISSION'S VIEW IS, HOWEVER, THE MERGING OF THE EC PRIVATE SECTOR POTENTIAL FOR INVESTMENT WITH ACP INVESTMENT NEEDS. AT THE CENTER OF THIS CONCERN LAY THE DISCUSSION OF THE "INVESTMENT CLIMATE" IN THE ACPs. THE EXACT TEXT IS NOT YET AVAILABLE BUT WE ARE INFORMED

THAT SOME VERY GENERAL LANGUAGE WAS FINALLY ADOPTED IN WHICH THE
ACPS ENDEAVOR TO GIVE A CLEAR INDICATION OF THEIR PRIORITIES IN
THE FIELD OF INDUSTRIAL DEVELOPMENT AND AGREE TO TAKE THE
NECESSARY MEASURES TO PROMOTE EFFECTIVE COOPERATION.
GREENWALD

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